

SECRETARY EVANS LEADS FIRST BUSINESS DEVELOPMENT MISSION TO RUSSIA

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In October 2001, Secretary of Commerce Donald L. Evans led a senior delegation of U.S. business executives and government officials to Moscow, Russia on the first Business Development Mission of the Bush Administration. The Mission proved to be a great success. At the closing news conference, Secretary Evans stated, "We came to Russia with high hopes. We have not been disappointed. Opportunities in Russia for American businesses have never been more promising."

In addition to launching discussions on potential partnerships with dozens of Russian businesses and government leaders, mission participants celebrated specific achievements, such as three company agreements to cooperate in furthering business, announcements by OPIC and Export-Import Bank on increased investment and an announcement by the Trade and Development Agency of \$2 million in grants for feasibility studies for three projects with the potential to generate \$150 million in U.S. exports to Russia.

This Mission was the direct result of the historic meeting of Presidents George W. Bush and Vladimir Putin in Ljubljana in June 2001. During this meeting, the Presidents made a

commitment to foster the U.S.-Russia bilateral relationship on all fronts, and expressed a desire to increase the participation of business. As such, the United States' relationship with the Russian Federation is, and will be, an ongoing priority for this Administration. The Mission advanced the goal of making the trade and commercial relationship that the two countries are building a cornerstone of a new and stronger partnership.

When the Department of Commerce first announced the Mission, the response was immediate and broad-based, and the interest did not waver, even in light of the events of September

11th. Companies – representing various sizes and sectors – applied to participate in the Mission and join the Secretary in promoting U.S. business interests in Russia. The response was tremendous, illustrating the demand by business to explore new opportunities in Russia. After a formal review process was completed, 14 businesses were chosen to participate. The companies ranged from a small entrepreneurial company with fewer than 20 employees to corporations that are among the largest in the world.

The enthusiasm of these businesses springs from their optimism about the current improvements in Russia's



Secretary Evans Witnesses Frito-Lay Announcement

Photo courtesy of Dmitri Butrin.

U.S. BUSINESS DELEGATION

Ariel Corporation
www.arielcorp.com

CaseNewHolland Inc.
www.cnh.com

Conoco Inc.
www.conoco.com

Energy Conversion Devices, Inc.
www.ovonic.com

Frito-Lay International
www.fritolay.com

Global Crossing Ltd.
www.globalcrossing.com

Lockheed Martin Corporation
www.lmco.com

M.E.C. Technology, Inc
www.nectech.com

MVS USA, Inc.
www.mvsusa.com

New England Machinery, Inc.
www.neminc.com

United Technologies Corporation
Pratt & Whitney
www.pweh.com

Precision Castparts Corporation
www.prescastcorp.com

Energotech LLC
www.energotech.com

The Boeing Company
www.boeing.com

U.S. GOVERNMENT DELEGATION

U.S. Department of Commerce

Export-Import Bank

Overseas Private Investment
Corporation (OPIC)

U.S. Trade and Development Agency
(TDA)



Secretary Evans Discusses Opportunities for Small Business during Small Business Roundtable

Photo courtesy of Dmitri Butrin.

economic and political climate. The businesses know the Russian market is opening, and they are eager to establish contacts for bilateral trade and investment. The U.S. business community recognizes that the time to engage in the Russian economy is upon them, and the Mission provided a vehicle for the U.S. Government to work with U.S. business to help them take advantage of the improved conditions.

**COMMERCIAL CLIMATE IS
RIPE FOR U.S. BUSINESS**

The Mission occurred at an opportune time. The effects of the 1998 financial crisis continue to dissipate and economic and political factors are becoming increasingly favorable for business in Russia. Signs that support this include economic growth which is likely to top 4 percent this year; annual inflation of 22 percent in the first half of 2001 (compared to 85 percent at the end of 1998); a large balance of payments surplus; and real investment which is up 4.5 percent, the first increase since 1990. On the policy front, President Vladimir Putin's Administration has declared its intention to improve the business climate and seek more foreign investment, and

it is working with the United States to develop a joint plan for resolving economic issues. Additionally, the Putin Administration continues to make strides with regard to economic reform, delivering the first installments on these commitments by recently pushing through a major tax reform and by maintaining tight fiscal discipline for the past year.

These improvements come on the heels of the Russian economic crisis where U.S. exports fell by about half to \$2.1 billion in 1999, but recovered moderately in 2000 to \$2.3 billion, and continue to show growth in 2001. The pace of U.S. investments recovered from the fall of 1999 to \$2.92 billion, 30 percent above 1998 and nearly equaling 1997. Cumulative foreign direct investment into Russia amounted to \$16.1 billion in the beginning of 2001, with the United States accounting for \$5.5 billion.

With the economic climate improving and U.S.-Russian bilateral relations moving in a such a positive direction, a U.S. government-led business development mission proved to be the perfect vehicle to jump-start U.S. business interest and show our commitment to Russia.

U.S. GOVERNMENT-LED BUSINESS DEVELOPMENT MISSIONS ARE AN EFFECTIVE VEHICLE TO PROMOTE U.S. BUSINESS ABROAD

The Department of Commerce, through the International Trade Administration (ITA), sponsors trade events around the world designed to help U.S. businesses enter new international markets. These trade events can range from domestic initiated promotions like trade seminars in your hometown and large international trade shows, to trade missions led by the Secretary of Commerce. The Commercial Service, a division of the ITA, has more than 1,700 trade

- Assist new-to-market firms to gain a foothold in Russia and increase the visibility of U.S. companies already operating in the very competitive Russian market;
- Support U.S. Government efforts to eliminate market access problems encountered by U.S. firms in Russia;
- Encourage continued progress in economic reforms in Russia;
- Further the objectives of the private sector led Russian American Business Dialogue.

The Mission was organized to facilitate these goals and to provide participants

the Duma. Other participants in the Mission program and meetings included the U.S. Ambassador to Russia Alexander Vershbow, leaders from the American Chamber of Commerce in Russia, the U.S.-Russia Business Council, the Russian-American Business Council, and the Union of Industrialists and Entrepreneurs.

The Mission worked to accomplish the goals of the businesses delegation members. In addition to the larger group meetings and seminars, the Commercial Service trade specialists in Moscow worked with each of the 14 businesses to arrange over 50 private meetings with government officials and potential business partners.

“THE BUSINESS DEVELOPMENT MISSION TO RUSSIA WAS A GREAT SUCCESS. WE WERE PROVIDED UNPRECEDENTED ACCESS TO BOTH TOP-LEVEL AND GOVERNMENT LEADERS. THE GOAL OF THIS MISSION WAS TO FACILITATE FUTURE COMMERCE BETWEEN RUSSIA AND THE UNITED STATES. HAVING PARTICIPATED FIRST HAND, I CAN SAY THAT THE ENTREPRENEURIAL SPIRIT THAT WAS PRESENT WITHIN THE YOUNGER RUSSIAN PARTICIPANTS WAS INVIGORATING. THERE IS A NEW ECONOMY WITHIN RUSSIA BEING DRIVEN BY A NEW GENERATION. BY DEVELOPING PARTNERSHIPS (NOW) WITH THESE NEWLY EMERGING ORGANIZATIONS, WE ALL HAVE THE OPPORTUNITY TO LEARN FROM EACH OTHER.”

— BRIAN FITZPATRICK, PRESIDENT, GLOBAL CARRIER SERVICES, GLOBAL CROSSING LTD.

specialists in over 260 key business centers in the United States and around the world to work with U.S. businesses to promote their products and services and to protect their interests abroad.

The Business Development Mission to Russia was designed to further both U.S. commercial policy objectives and advance specific U.S. business interests. The Mission goals were to:

- Assess the commercial climate and investment opportunities in Russia;
- Advance specific business interests of the mission members by introducing them to key host government decision-making officials and to potential business partners;

with exposure to high level contacts and access to the Russian market. A schedule of events was developed to ensure that delegates not only were provided detailed briefings on the economic, commercial and political climate, and current trade and investment opportunities in Russia, but also structured in such a way as to provide the companies an opportunity to meet potential business partners.

Over the course of the mission, participants met with Russian Prime Minister Mikhail Kasyanov, Minister of Economy and Trade German Gref, as well as other high-ranking Russian officials including, Leningrad Oblast Governor Serdyukov, Samara Oblast Governor Titov, Saratov Oblast Governor Ayatskov, and members of

MISSION FOSTERS EXPANSION OF U.S. BUSINESS IN RUSSIA

The U.S. companies that accompanied the Secretary on the Mission did so because they saw the tremendous possibilities in Russia. As Secretary Evans stated in his speech to the American Chamber of Commerce in Moscow, “They recognized that a window of opportunity was now open. They have an appreciation for the talents and resourcefulness of the Russian people - and a kinship with the new entrepreneurial generation that is taking root here, helping to drive the Russian economy in the 21st century.”

Possibilities for commercial success in Russia were evident early in the trip. On the first day of the Mission, a

milestone in U.S.-Russia economic relations was achieved. Secretary Evans announced the first shipment of crude oil from the Caspian Pipeline Consortium, a partnership that represents the largest-ever U.S. investment in Russia, topping \$1 billion. The Consortium's success sends a message to the world at this critical time in our history — that the U.S. and Russia

Overall, mission participants reported significant progress in enhancing existing business relationships, as well as in their quest for new opportunities in Russia. The Mission also helped to facilitate immediate successes for several of the businesses:

■ M.E.C., a small business located in New Jersey, signed a letter of intent

with the Russian American Glass Company, known as "RASKO," to expand the latter's operations and production.

■ The Trade and Development Agency announced \$2 million in grants for feasibility studies for three projects (in agricultural services, ethylene plant modernization and

"WE WERE PLEASE TO HAVE BEEN CHOSEN TO ACCOMPANY SECRETARY EVANS AND THIS ELITE GROUP ON THIS MISSION, AND ARE ECSTATIC WITH THE PROGRESS WE HAVE BEEN ABLE TO MAKE WHILE HERE. WE LOOK FORWARD TO A LONGSTANDING RELATIONSHIP WITH OUR NEW RUSSIA PARTNER. WE HAVE RECOGNIZED THE BUSINESS POTENTIAL IN THE RUSSIAN SEMICONDUCTOR MARKET AND ARE MOVING FORWARD TO CAPITALIZE ON IT."

— RICHARD KULKASKI, PRESIDENT, M.E.C. TECHNOLOGY, INC., AFTER SIGNING THE LETTER OF INTENT WITH MIKRON CORP

are cooperating to build prosperity and stability.

with Mikron Corporation in Russia regarding a joint venture to produce semiconductor equipment and parts.

wind power) with the potential to generate \$150 million in U.S. exports to Russia.

THE RUSSIAN-AMERICAN BUSINESS DIALOGUE:

■ **Develop a common understanding between the American and Russian business communities of the investment and trade challenges in Russia;**

■ **Identify areas where laws, regulations and practices impede or distort trade and investment in Russia; and**

■ **Provide a forum for the U.S. and Russian governments to address business interests in a sys-**

■ Frito-Lay, a subsidiary of PepsiCo and headquartered in Texas, announced the construction of a new state-of-the-art manufacturing plant in Kashira. The plant will bring \$40 million and 350 new jobs to Russia.

■ United Technologies, parent company of mission participant Pratt & Whitney located in Connecticut, reached an agreement with the Russian Aerospace Agency to expand cooperation, signaling that United Technologies has become an integral part of Russia's aerospace industry.

■ The Export-Import Bank signed a Memorandum of Understanding with Delta Leasing to provide small and medium-sized Russian companies with long-term credit at a rate they can afford to lease equipment from U.S. companies.

■ The Overseas Private Investment Corporation signed an agreement

Another highlight of this Mission included the opportunity to encourage the entrepreneurial spirit in Russia. During his meeting with President Bush last summer, President Putin expressed a hope that more American companies of all sizes would become active partners of Russia's growing number of small businesses. In support of this goal, the Mission members participated in a small business round table which highlighted some of the successes of U.S. Government assisted programs. These programs support Russian small and medium-businesses and demonstrate U.S. Government encouragement of the development of these businesses in Russia as a force for stability and market reform.

Each of the executives participating in the Mission demonstrated through their participation that they have a keen appreciation for the energy, innovation and wealth that small, entrepreneurial businesses bring to an economy.

The role of small business in the United States proves the benefits of this commitment. Small business employs more than half of the workforce, produces 55 percent of innovations, and accounts for more than half of private sector GDP.

RUSSIAN AMERICAN BUSINESS DIALOGUE PROVIDES ANOTHER MEANS FOR FOSTERING COOPERATION

In July 2001, the U.S.-Russia Business Council (USRBC), American Chamber of Commerce (Amcham), Russian-American Business Council (RABC), and the Union of Industrialists and Entrepreneurs offered to steer a Russian-American Business Dialogue on behalf of the business communities of both countries. In response, President Bush and President Putin announced the establishment of the Russian American Business Dialogue (RABD) at the Genoa Summit.

The RABD is intended to give new impetus to U.S.-Russian trade and investment relations. By elevating involvement of the business community in bilateral discussions, the United States seeks to support current economic reform and promote future reforms. This new dialogue hopes to also promote a transparent and predictable business climate and the rule of law in Russia, while encouraging change that will help Russia to meet WTO standards. The RABD is also a vehicle to expand bilateral business opportunities and to bring new entrants into our trade and investment relations.

During a trip to Moscow in July 2001, Secretary Evans met with the RABD leaders to exchange initial ideas for the structure and substance of the Dialogue. Since that time, the steering organizations have consulted with one another and other interested parties and have developed draft positions on the structure of the Dialogue, possible RABD events, and priority issues and sectors.

On the second day of the Mission, leaders of the RABD organizations met with mission participants and Secretary Evans over lunch to outline the goals of the Dialogue and provide a progress report that included plans for the next RABD meeting in early November in Boston with Secretary Evans and Minister Graf. The mission participants quickly recognized the value of the Dialogue, since as Secretary Evans stated at the luncheon, "Of all the roles that the Dialogue can play, engendering trust and confidence between our two business communities is one of the most important. In my view, trust is the foundation of successful business and, frankly, it has been lacking in our bilateral commercial relationship."

The Secretary's first Business Development Mission proved to be a great success. During the Mission, several of the companies were able to conclude contract signings; make major business announcements and sign cooperation agreements. Additionally, the Mission has provided a basis for success in the long-term through its support of the RABD, the U.S.-Russian relationship as a whole and the possibility of additional business generation by the delegation members. The Mission also demonstrated that there are numerous business opportunities in Russia for U.S. business, and as the economic climate continues to improve, these opportunities should become more abundant. ■

GOVERNMENT ASSISTANCE FOR U.S. BUSINESSES INTERESTED IN DOING BUSINESS IN RUSSIA

The U.S. Department of Commerce has two primary resources for U.S. companies interested in doing business in Russia. The Business Information Service for the Newly Independent States (BISNIS) is the Department of Commerce's resource center for U.S. companies exploring business opportunities in Russia and other Newly Independent States. BISNIS, working with the U.S. Commercial Service's worldwide network of trade specialists, including commercial officers in Moscow, St. Petersburg, and Vladivostok, provides U.S. companies with the latest market reports and tips on developments, export and investment opportunities, and strategies for doing business in the NIS. To contact BISNIS, call (202) 482-4655; fax (202) 482-2293; Email Bisnis@ita.doc.gov; or access its web page at www.bisnis.doc.gov.

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